



2008 State of the State/State Budget Message  
The Honorable C.L. "Butch" Otter  
Governor of Idaho  
January 7, 2008

Mr. Speaker, Mr. President, Mr. Pro Tem, honorable members of the Legislature, Mr. Chief Justice and distinguished members of the Judiciary, fellow Constitutional Officers, my fellow Idahoans.

It's great to be with you once again. But before I begin, allow me to introduce my family to you – four generations of Otters are here today!

Now to the business at hand.

I know you join me in looking forward to a productive legislative session that reflects our commitment to being servants of the people.

A lot has changed for the better in the past year! I want to thank each of you for joining me in beginning this paradigm shift in the role of state government.

The people of Idaho are noticing. And it's not me they're noticing – it's our state employees. It's the folks who touch the lives of so many people every day.

They're noticing that state government is more customer-focused.

They're noticing that state government is adhering to the central principles of its proper role.

And they're noticing that state government is relying on data-driven policies while being good stewards of their precious tax dollars.

So my special thanks for the past year go to all those hard-working and dedicated employees who make the rest of us look so good.

As I was preparing these remarks, I was struck by how much the principles declared by Thomas Jefferson in his first inaugural speech still apply today.

It was 207 ago years when Jefferson asked:

"With all our blessings, what more is necessary to make us a happy and a prosperous people?"

"Still one thing more, fellow citizens – a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.

"This is the sum of good government."

So, ladies and gentlemen, let's get to work with that thought in mind.

It's my great pleasure to report to you today that Idaho's economy is fundamentally sound.

And while we are not immune from the major forces influencing the national and world economies, we do expect to keep growing over the months and years ahead.

Specifically, we can expect Idaho's annual job growth to average about two-point-four percent over the next three years. That's nearly double the projected national growth rate.

What's more, we still have a jobless rate about two points below the country's rate as a whole and about half a point below where we were a year ago.

That's all due to our employment diversity and the fact that Idaho is a great place to do business. With your help, we'll keep building on that success.

Some of the changes we've seen in the past year are obvious – starting with our venue today.

In case you haven't noticed, we're not in the Capitol anymore!

Please join me in expressing our sincere thanks to Boise State University and President Bob Kustra for letting us use the Special Events Center for today's proceedings. Bob and Kathy Kustra folks.

I also want to thank this august body for contributing so greatly to the pool of talented and experienced public servants.

I particularly want to recognize a former member of the Idaho House of Representatives now leading an effort that will be critical in setting the course for Idaho's economic future.

Paul Kjellander agreed to leave his chairmanship of the Idaho Public Utilities Commission to become administrator of the new Office of Energy Resources.

By creating this Cabinet-level position we are bringing greater focus to energy issues, putting them on a par with those involving our other resources, like water and land.

I'm grateful for Paul's knowledge, leadership and hard work.

He's building dynamic, innovative partnerships for energy development, generation, transmission and conservation.

A couple of other important personnel changes marked the past year.

The retirement of Justices Gerald Schroeder and Linda Copple Trout provided me with the rare honor of appointing two members to the Idaho Supreme Court.

Ladies and gentlemen, please join me in welcoming Justice Warren Jones and Justice Joel Horton.

Some of the most important changes in the past year actually involve how we are working for the people of Idaho.

My administration is committed to operating as a single entity rather than as a group of loosely associated agencies.

My Cabinet members are working more cooperatively and with greater common purpose for the people we serve.

And the benefits are tangible.

Among many examples, Cal Groen at Fish and Game is working with George Bacon at the Department of Lands and Celia Gould at the Department of Agriculture on improving wildlife habitat.

Bill Shawver at Homeland Security is working with Jerry Russell at the Idaho State Police on a seamless emergency communications system throughout Idaho.

And both agencies are working with Jeff Anderson at the Idaho Lottery on improving our Amber Alert system.

Greater cooperation also is paying dividends in terms of our relationship with Idaho's Indian tribes.

With the help of Senator Mike Jorgenson I will be presenting you with four landmark agreements on the collection of fuel tax on Idaho reservations.

A lot of credit goes to the leaders of the Coeur d'Alene, Shoshone-Bannock, Nez Perce and Kootenai tribes.

I realize that some people would have liked a different outcome.

But those agreements bring us certainty, and they are the result of good-faith negotiations based on a shared interest in what's best for Idaho.

The same motive is behind the decision to have Department of Environmental Quality Director Toni Hardesty conduct an inventory and develop a strategy for reducing our greenhouse gas emissions.

For starters, we're moving forward with plans to require all state vehicle purchases to be low-emission and – where possible – “flex fuel” or hybrids.

Toni also is working with Paul Kjellander, Agriculture Director Celia Gould and others toward having 25 percent of Idaho's energy come from renewable resources by 2025.

And with Toni's leadership, Idaho became the 38<sup>th</sup> state to join The Climate Registry. We are committed to addressing the public's concern with such challenges as shifting weather patterns, more serious wildfire threats and drought.

Speaking of drought, we all saw in 2007 how a string of dry years can turn into a terrible fire season.

Our state emergency funds were made available to hard-hit counties that needed everything from wildfire suppression to structure protection and help with evacuees.

In all, the wildfires of 2007 cost state taxpayers more than \$23 million.

Beyond the dollars and cents, the wildfires highlighted the great work of our firefighters throughout Idaho. Please join me in extending the thanks of a grateful state to all the hard-working men and women who protect our property and our lives.

Drought also depleted our carryover storage and continued worsening our water supply situation in 2007, especially in the Eastern Snake Plain Aquifer.

Addressing that challenge has come too slowly, and in some cases the interests are still dug in. But getting beyond the fruitless cycle of legal conflicts and dividing up scarcity remains a high priority for my administration – as I'm sure it is for you.

That's why I'm proposing that we allocate \$20 million for conducting in-depth studies and developing scientific models of every aquifer in Idaho – south and north.

We simply must not repeat the problems we are seeing along the Snake River.

But that's a long-term project.

In the nearer term, I recently proposed a series of water conservation measures in the Magic Valley aimed at improving the efficiency and effective use of our water.

They are not the answer to our water challenges. But they are an example of what motivated individuals and groups can do to move us off dead center.

Doing nothing hasn't worked. The problem isn't solving itself.

So as I always say: Anyone and everyone with better or different ideas should bring them forward.

Let's talk about them, and then let's act.

That kind of can-do attitude helped the Treasure Valley realize one of our shared goals last year – expanding community college opportunities for Idaho students.

A two-thirds supermajority of voters in Ada and Canyon counties created a community college district in May. And now the College of Western Idaho will open for business in the fall.

Thank you for providing the seed money, the guidance and the leadership needed for this project to bear fruit. It's been a tremendous success so far, with a real sense of community buy-in and ownership.

And the best is yet to come.

I recommend that we continue our startup financial commitment of \$5 million for the foreseeable future, as reflected in my budget.

I also will be proposing that we double the amount of funding allocated to community colleges from state liquor sales.

The College of Southern Idaho and North Idaho College now get \$150,000 a year. My plan calls for CSI, NIC and the College of Western Idaho each to get \$200,000 – for a total of \$600,000.

That's a wise investment that will pay off in the years ahead with more affordable educational choices and trained workers.

That's particularly important in rural Idaho, where job training and economic opportunities can be difficult to find or afford.

The need for those opportunities is among the many lessons reinforced by my monthly Capital for a Day events in 2007.

We went from Bonners Ferry to Glenns Ferry, from Soda Springs to Salmon and from Kimberly to Kooskia.

Members of my Cabinet, administrators and decision-makers from throughout state government joined the First Lady and me in 12 different communities during the past year.

We've been greeted warmly, and people always welcome the chance to be heard directly.

Thanks to those of you who've joined us.

We get as much or more out of Capital for a Day as the folks with whom we meet – important insights on their everyday challenges and homegrown solutions.

I look forward to continuing the program throughout 2008 and as long as I'm privileged to be your Governor. After all, people shouldn't have to travel to Boise to have a voice in their state government.

One of the recurring themes I've heard in rural Idaho and all over the state is the threat that methamphetamines pose to today's youth and to our future.

Rural Idaho is where the impact of meth is felt most dramatically, in damaged and lost opportunities and lives.

There are horrible costs associated with meth, for individuals and families as well as for local and state government.

Even if you and your family somehow have escaped being directly effected by this scourge, you are paying a high price – in tax dollars and the safety of your community.

That's why I'm pleased to announce that after a year of raising awareness and money, the Idaho Meth Project is launching its statewide media campaign today!

You're going to see disturbing and even shocking images of what meth does to people. These public service spots don't sugar-coat it, because it's just that ugly. And Idahoans need to see and hear the truth about this drug.

That's why – also starting today – the Idaho Lottery will be carrying a new public service message as part of the unique marketing program it recently launched.

The Idaho Meth Project's "Not Even Once" theme makes a great addition to messages now featured on hundreds of thousands of Idaho Lottery tickets sold each week throughout the state.

I also am asking you to appropriate \$1 million in tobacco settlement money from the Millennium Fund to join our private, corporate and public partners in supporting the Idaho Meth Project.

I'm confident the campaign will make a big difference – as it has in Montana – toward addressing this 21<sup>st</sup> century plague.

But it's not our only avenue of attack on the meth problem.

Debbie Field and the Office of Drug Policy are making great strides in marshaling our resources for this challenge.

They've created the Interagency Committee on Substance Abuse to more efficiently use what we have and identify what we need.

And they are implementing one of the nation's first uniform statewide assessment tools for substance abuse and mental health.

Finding cost-effective and responsible ways to treat substance abuse is one of our biggest health-care challenges.

Last summer I brought together a group of health-care stakeholders to discuss all those issues.

The resulting recommendations were turned over to a small but influential group of experts from government and the private sector.

That committee now is taking the initial ideas to the people, building public-private partnerships, and working with the Legislature, government agencies and anyone else who's engaged in the issue.

In the meantime, there are some things we can do now to improve our ability to respond to current and future health-care needs.

One of those is following up on last year's allocation of funding to expand Idaho's nursing school opportunities.

I'm asking that you appropriate more than \$1 million for equipment and staff at the new Lewis-Clark State College nursing school in Lewiston.

Friends, we know from experience that education is the key to many of the challenges we face.

While it may not be the solution in every case, it certainly is an essential element to finding solutions.

That search starts in childhood. And nothing empowers children and unleashes their potential like enabling them to dream.

If you're anything like me, your own ability to dream probably depends on what and how much you read as a child.

So let's help Idaho's children dream big dreams.

I'm proposing that we expand the "Read to Me" program to reach an additional 5,000 children and 30 more libraries throughout Idaho.

And for those young people whose dream includes a college education – but for whom money is a barrier – I'm proposing that we provide an additional \$50 million for the Opportunity Scholarship Trust Fund.

After all, how better to ensure we have the minds and the talent to face our challenges than to "grow our own?"

Now I want to talk with you for just a few minutes about a unique opportunity at this moment in Idaho's history.

We all agree that education is essential to preparing competent, creative and innovative citizens for success in life.

We also can agree that there is an essential connection between the quality of our education and the vitality of our economy.

So Superintendent Tom Luna and I have asked a group of business and education leaders to help us develop a plan for making Idaho the nation's leader in quality, cost-effective education, with an initial focus on K through 12.

Our goal is to improve how Idaho students acquire the skills they need for technology-driven workplace changes and competing in the global economy.

The first step involves assessing what we spend for education and how we spend it. We'll then compare that with investment levels and best practices of high-performing systems here and abroad.

This isn't about spending as much as somebody else. This is about more effectively and efficiently applying our resources toward a vision for the future of education in Idaho.

Stay tuned as we move forward with the process of figuring out what works.

Citizens have a right to expect public officials to act responsibly, and a duty to hold public officials accountable.

That's especially true when it comes to how their money is spent – which is why I plan to implement Zero-Based Budgeting for all state agencies and institutions, beginning with fiscal 2010.

We'll start from scratch in reviewing and justifying each agency's budget on a six-year rotating schedule.

That means the first set of agency budgets will get a zero-based review as we develop proposals for you to consider next year.

The first cycle will be complete in fiscal 2015.

The idea is consistent with taxpayers' wishes. And it will enable us to assert greater fiscal discipline while making the most of every taxpayer dollar.

Efficiency also is the guiding principle at the Department of Administration.

I got your message last year when you put aside my proposal to eliminate the department and move its functions to the individual agencies.

So Director Mike Gwartney has been finding other ways to improve the efficiency and effectiveness of operations throughout state government.

For instance, there now are at least 84 separate email servers in 40 different systems operating in state government.

So Admin is working now to consolidate them into one reliable and efficient service.

It will be a phased-in project, and it won't be easy.

There may be unexpected delays. But our goal is to have the email systems of most small agencies consolidated within six months.

Almost all agencies should be done in 12 to 18 months, and the remaining few agencies with more difficult systems should be completed within two years.

We all know that duplication can contribute to waste and inefficiency.

It also can lead to even bigger problems when it comes to health care.

So I'm proud to announce today that the state is working with Blue Cross, Regence Blue Shield, St. Luke's and Saint Alphonsus of Boise, Kootenai Medical Center of Coeur d'Alene, Health West in Pocatello and others to create a Health Data Exchange.

That involves a first-of-its-kind computer health information sharing system.

It will take into account the important concerns of patient privacy while helping to make health care better and more consistent throughout Idaho.

I'm also proposing other changes to improve our responsible use of taxpayer dollars and the quality of our public service.

My budget proposes a 5-percent pay increase for all our state employees.

The increase is part of a fundamental realignment of our total compensation package.

We should continue ensuring that state employee pay is competitive with comparable private-sector jobs. And we must advance the important cause of ensuring that Idaho's public school teachers are properly paid.

At the same time, my proposal will make reasonable adjustments in the share of health-care benefits costs for which all our state employees are responsible.

You may have noticed by now that personal responsibility and accountability are my recurring themes. I believe both are essential to good relationships between individuals and the government.

They also are constant and critical reminders that individuals are the foundation of our state, our nation and our government. Individual faith in our system is the basis of civic virtue.

Our task as state leaders includes safeguarding individual rights and valuing individual needs while effectively serving the broader public interests.

Of course, foremost among those public interests is protecting our citizens.

As James Madison put it in The Federalist Number 51: "If men were angels, no government would be necessary."

He might also have added that no prisons would be necessary either.

But men are not angels, and our public safety responsibilities do make prisons necessary.

At the same time, finding realistic alternatives to prison is a priority that we cannot and must not ignore.

We need prisons. But neither our financial resources nor our community sensibilities will stand for an endless process of building more cells that are immediately filled.

That's why we've developed the groundbreaking Idaho Virtual Prison Program.

The goal is a professional, productive and most of all accountable relationship between Director Brent Reinke and his crew at the Department of Correction, private prisons here and out of state, Idaho treatment centers and county jails.

Events of the past year show us that the status of our Idaho inmates must not be "out of sight, out of mind."

So my budget proposal also includes \$70 million for construction of a secure mental health facility to house the growing number of individuals for whom a higher level of care and supervision is needed.

Ladies and gentlemen, here's a shocking statistic: One out of every 36 Idaho males is under the supervision of the Idaho Department of Correction – either in prison or on parole.

That's equivalent to an entire legislative district, and it's more people than the cities of Eagle or Moscow or Post Falls.

The vast majority of those men and far too many women are in Department of Correction custody because of drugs.

People committing drug crimes and crimes caused by drug use are filling our prisons and putting our communities, our economy and our budget at risk.

Some people must be locked up to protect the rest of us. But that alone isn't the answer.

So I'm proposing that we convert a warehouse at the Idaho Correctional Center into a 304-bed therapeutic community to house offenders who are in the grips of drug and alcohol abuse.

We are working for a better future for those individuals, as well as their families and especially their victims.

But the future is now when it comes to another priority. We must act without delay to address our growing transportation infrastructure needs.

And we must leave no stone unturned in making our highways and bridges safer and less congested.

No contribution to that effort is too small. We must rethink how we do business.

So I'm proposing that a greater share of Idaho State Police operations be covered by the state general fund.

The ISP now is getting almost \$17 million a year from our 25-cents-per-gallon fuel tax. Shifting that expense to the general fund over the next two years will free up more fuel tax revenue specifically for highway work.

The fact is that every taxpayer benefits from the Idaho State Police.

It should be part of the general fund budget, and more of our fuel taxes must be put back into our roads.

That being said, I am not going to propose increasing the state fuel tax.

High gas prices already are squeezing the working men and women of Idaho, and too little of that money makes it back to the highways under our current system.

So let's talk a little bit about what I am willing to do.

I am going to ensure that the transportation system efficiencies that have been promised – and those yet to be identified – are implemented and maintained. We must see results.

To the degree that is accomplished, I will support a proposal from Senator John McGee and others that includes an increase in vehicle registration fees.

I also AM recommending that you approve another \$134 million in GARVEE bonding authority. The Transportation Board says that's as much additional funding as it can effectively and efficiently obligate through fiscal 2009.

That funding will enable us to proceed with badly needed work to expand and improve Interstate 84 through Idaho's busiest highway corridor.

But make no mistake, GARVEE bonding is not and never was the answer to our statewide transportation challenges.

We have an immense backlog of maintenance and improvement needs.

Good business practices require people who are spending their own money to set aside the equivalent of about 10 percent of their infrastructure value each year for upkeep.

Well folks, we're not spending our own money – we're spending the taxpayers' money.

That fact only increases our responsibility to be careful, frugal and businesslike in our decisions.

Now, with all our obligations there is no way we can set aside 10 percent of the value of our highway and bridges for maintenance each year. But we can and will do a better job attending to those needs on a continuing basis.

The skyrocketing cost of construction materials alone makes that a priority, besides being good money management and just plain old common sense.

We must be committed to making the best use of the resources we already have.

That's why I will be asking you to approve \$35 million to address overdue maintenance and repairs to state buildings.

Letting these resources go to seed is penny wise and pound foolish.

Speaking of which, let me reiterate my belief that those of us here in Boise have no corner on common sense or wisdom.

Rather, it is our job as public servants to champion the real sources of wisdom and the real solutions that the people themselves identify.



No less an authority than Ronald Reagan said it best 41 years ago.

He held that the basis of what he called the “Creative Society” involves “government no longer substituting for the people, but recognizing that it cannot possibly match the great potential of the people, and thus, must coordinate the creative energies of the people ...”

So I’m expressing my support today for authorizing counties to ask taxpayers for permission to levy sales or use taxes to help pay for construction, repair and maintenance of public roads and bridges.

A two-thirds vote of approval still should be required, and voting should be limited to the May or November election dates to help ensure the best possible turnout.

Now, I know the arguments against it.

But those are questions that should be considered by local taxpayers – local voters.

I may personally oppose a local-option tax that’s put before me. But my neighbors and I should have the right to decide that for ourselves.

Now I want to revisit a priority I set before you a year ago.

After working with many of you and others throughout the state, I once again will be proposing that we increase the grocery tax credit for lower-income Idahoans to as much as \$90 per person.

In a perfect world we all would like to eliminate the sales tax on food.

I also understand why some prefer to simply increase the credit for all Idahoans.

But I remain convinced that we can neither afford eliminating the grocery tax nor justify refusing to increase the credit for those who need help most.

Once again, it will be my pleasure to work closely with Chairmen Hill and Lake to accomplish our goals, and to advance other tax legislation.

Let me state clearly that the Legislature should consider a plan for phasing out the personal property tax to ensure our economy remains strong and growing.

It also should include a way of building on the good work you did in 2006 by advancing the goals of financial certainty and security for Idaho’s homeowners.

Those goals shouldn’t be surprising or new to anyone in this room. I’ve stated them before, repeatedly. And contrary to skeptical reports, I mean to achieve them.

How we do that is up to you.

You’ve heard my ideas. Now I want to hear yours. Once again, doing nothing is not an option.

And let me suggest that as servants of the people – of the taxpayers – we must focus not on government needs.

Instead, we must focus on the real needs of the people we serve – the individuals and families whose home is the largest investment of their lifetime.

Our concern must be with the taxpayers for whom a home of their own is the American dream.

We must not allow ourselves to be swept up in the belief that the government – any government – knows better or more effectively how to use tax money than those who earn it.

It is not for us to determine how property tax relief fits most comfortably within our system of government.

Rather, it is for us to determine how to most reasonably fit our system of government into what works for taxpayers.

Whether the certainty and security we seek for Idaho’s homeowners is accomplished by statute or by constitutional amendment doesn’t matter. What matters is fulfilling our obligation to the people we serve to provide them with a government within their means.

Ladies and gentlemen of the Legislature, we have spent the past year getting to know one another. In many cases that's meant getting reacquainted under new circumstances. In other cases it's been a matter of starting relationships from scratch.

I want you to know that I'm absolutely sincere in my desire to work with you toward our shared goals.

As you well know, my door is always open to any legislator. After all, we are partners in this honorable enterprise.

I guarantee every member of the Legislature – as I did a year ago – that you will always get in to see me or at least get a personal phone call from me within 24 hours of contacting my office.

I want our dealings to be open and straightforward.

If I have something to say about what you're doing here or how you're doing it, you won't read about it in the paper first. I'll say it to you. And I'm confident you'll do the same for me.

With that, I look forward to your good work during this 2008 session, and to each of us shouldering our separate but equal responsibilities as servants to the people of Idaho.

Good luck and Godspeed.